

## Information on Washington's Tax Structure



# Washington State Horse Industry

**The information contained in this fact sheet is current as of the date of publication and is intended only as general information. It does not cover every aspect of this incentive. Not all possible applications of this program are discussed. This fact sheet does not alter or supersede any administrative regulations or rulings issued by the Department.**

Washington State residents rank ninth in the nation for owning horses! This equine population represents thoroughbreds, quarter horses, Arabians, appaloosas, pintos, or mixtures of several breeds. Horses may be used for racing, competing, showing, pleasure and sport riding, rodeo riding, jumping, driving, trail guiding, breeding, etc. Many individuals and businesses provide products and services to this unique market.

### Do I Need to be Registered?

Under Washington's tax law, when you engage in any activity, including hobbies, for gain, benefit, or advantage (regardless of profit or loss), you are considered a "business" and you may be subject to Washington's business and occupation (B&O) tax. Because the B&O tax is a gross receipts tax, very few deductions are allowed from the taxable income. Many of the activities associated with the horse industry are taxable business activities. This means you may be considered by the state to be a business and be required to register. You are required to register if:

- ◆ Your gross income from any one or a combination of the below listed activities is \$12,000 or more in a calendar year, OR
- ◆ You are engaged in an activity which requires you to collect sales tax.

If an individual is not engaging in business activities, the individual may not need to register, collect and remit tax.

Independent contractors are considered businesses and must register with the Department of Revenue. If you are not sure you are an independent contractor, contact the Department at the number listed below.

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Following are some activities associated with horses in which a business, independent contractor, or individual may have some tax liability with the Department.

### **Trainers, Buggy Drivers, Exercisers, Riders, Performers, Jockeys, Farriers as Businesses or Independent Contractors**

Income received by businesses or independent contractors for training, buggy driving, exercising, riding, showing, grooming, shoeing/plating horses is taxable under the Service and Other Activities (Service) B&O tax classification.

### **Sales of Horses**

Sales of horses can be made through claiming races, auctions, on the farm, or by individuals. All sales are considered retail sales unless otherwise specified. The sale must be reported under the Retailing B&O tax classification by all businesses.

Retail sales tax is due on all retail sales made in the state of Washington, unless there is a specific exemption. An exemption from the retail sales tax is granted for sales of horses, registered with a nationally recognized breeding association, when they are purchased for breeding purposes (racing to determine the value of the breeding stock is considered a breeding purpose). The retail sales tax exemption certificate for breeding purposes must be filled out by the purchaser and given to the seller. Retail sales tax must be collected on all retail sales of geldings and spayed mares, and non registered horses.

Income derived from leasing horses is subject to the Retailing B&O tax and retail sales tax. Leased horses also qualify for the breeding stock exemption from retail sales tax.

When a horse is purchased at wholesale, the purchaser must resell the horse without intervening use. The sale is considered a retail sale unless all of the following elements exist:

- ◆ There is no intervening use of the horse (no showing, racing, breeding, etc.) between the time of purchase and time of resale;
- ◆ The horse is resold within 60 days; AND
- ◆ The seller receives a properly completed resale certificate from the purchaser.

## Boarding Income

Income received for boarding horses is subject to the Service B&O tax.

The stable owner may not deduct the fees associated with veterinarian charges, farrier charges, transportation costs, etc. from the boarding gross income, unless the stable owner is acting as an agent on behalf of the horse owner, and the stable's books reflect the principal/agent relationship. The horse owner must have primary responsibility for payment and is merely reimbursing the stable for expenses incurred (see Washington Administrative Code 458-20-111 and -159 for guidelines). If the expenses are "marked up" when charged to the horse owner, the deduction for reimbursed expenses will not be allowed.

## Sales of Feed

Businesses making retail sales of feed must pay the Retailing B&O tax on the gross proceeds of these sales. Sales of feed for breeding animals, registered with a nationally recognized breeding association, are retail sales, but not subject to the retail sales tax. To validate the exemption from retail sales tax, the horse owner must give a completed breeders' exemption certificate to the seller stating that the horse is registered with a nationally recognized breeding association, and is for breeding purposes. Feed for geldings or spayed mares is subject to the retail sales tax.

When a stable purchases feed for boarded horses and does not segregate the charge on the boarding bill, the

stable must pay retail sales tax on all of the feed. When the feed charges are separately stated on the bill, the stable can purchase the feed at wholesale for resale (the stable must give the seller a properly completed resale certificate), and not charge retail sales tax on the feed for the registered breeding animals. Retail sales tax must be collected on the feed sold for other animals.

## Breeding/Stud Fees

Income derived from breeding activities or stud fees is taxable under the Service B&O tax classification.

Semen sold for artificial insemination of livestock is a retail sale, subject to the Retailing B&O tax. An exemption from the retail sales tax is available for sales of semen used to artificially inseminate livestock (RCW 82.08.0272).

## Purses, Bonuses, Awards, Prizes

The gross income derived from purses, bonuses, awards and prizes within Washington State is subject to the Service B&O tax classification.

## Use Tax

All consumers, whether a business, independent contractor, or individual, are required by law to pay retail sales tax or use tax on taxable goods to be used in Washington. Use tax is due on items purchased for use in Washington, if retail sales tax was not paid. For example, tack purchased out of state, or through catalogs or magazines is subject to use tax, if retail sales tax is not included in the bill. Geldings and spayed horses purchased out of state for use in this state are also subject to retail sales/use tax. The use tax rate is the same as the retail sales tax rate. To calculate use tax, multiply the retail sales tax rate in effect where the goods are primarily used or located by the purchase price. The use tax may be paid on the *Combined Excise Tax Return* or directly to the Department on the use tax return.

If you are engaging in business activities, would like more information on your specific situation, or the topics in this publication, contact the Department of Revenue at 1-800-647-7706 or the Telecommunications Device for the Deaf at 1-800-451-7985.

# Publications Order Form

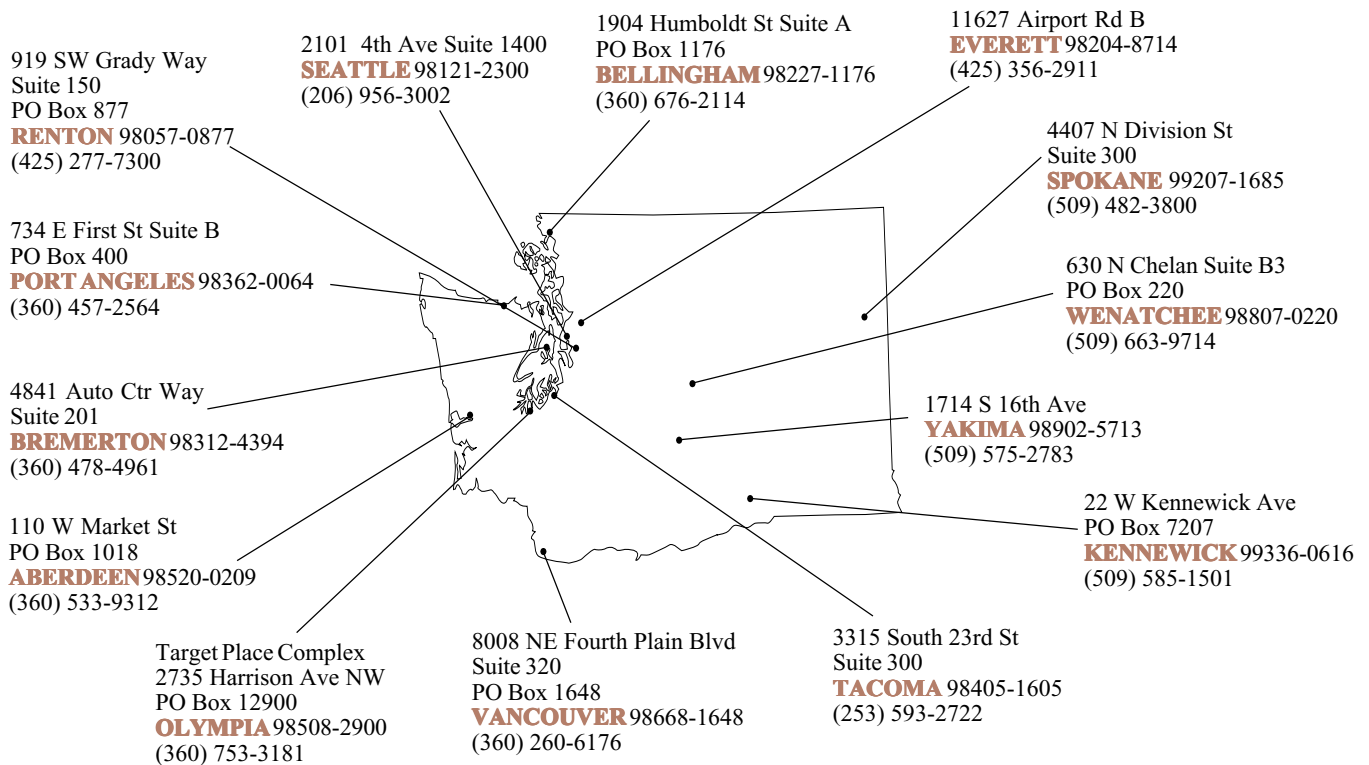
The Department of Revenue offers numerous publications covering a wide range of topics. These publications are available upon request from any Department of Revenue field office, or by calling the Telephone Information Center at 1-800-647-7706, or by completing this form and mailing it to: Department of Revenue, Taxpayer Services Division, PO Box 47478, Olympia, WA 98504-7478. Many of these publications are also available on the Department's Internet web site at <http://dor.wa.gov>.

QUANTITY	PUBLICATION
_____	Guide to Completing the Combined Excise Tax Return
_____	Active, Nonreporting Business
_____	Aircraft Taxes
_____	Audit Process
_____	Below Minimum
_____	Business and Occupation Tax
_____	Business Tax Overview
_____	Child Care Operators
_____	Cigarette Tax
_____	Collection Process
_____	Deferrals, Credits and Exemptions
_____	<i>Manufacturer's Sales/Use Tax Exemption</i>
_____	<i>Distressed Area Sales/Use Tax Deferral Program</i>
_____	<i>Distressed Area Business and Occupation Tax Credit for New Employees</i>
_____	<i>High Technology Sales/Use Tax Deferral</i>
_____	<i>High Technology Business and Occupation Tax Credit</i>
_____	Electronic Funds Transfer
_____	Electronic Filing
_____	Farm Use Tax
_____	Fast Fax
_____	Fish Taxes
_____	Hazardous Substance Tax
_____	High Technology B&O Tax Credit
_____	Homeowner's Guide to Property Tax
_____	Horse Industry Tip Sheet
_____	How to Amend Your Combined Excise Tax Return
_____	New Business Handbook
_____	Nonprofit Organizations
_____	Outline of Major Taxes
_____	Personal Property Tax
_____	Property Tax Deferrals for Senior Citizens and Disabled Persons
_____	Property Tax Exemptions for Senior Citizens and Disabled Persons
_____	Resale Certificate
_____	Real Estate Transactions and Use Tax
_____	Retail Sales Tax
_____	Small Claims Hearings
_____	Taxpayer Rights and Responsibilities
_____	Tax, Title and Registration of Boats
_____	Temporary Business Registration
_____	Unclaimed Property
_____	Use Tax
<b>OTHER:</b>	
_____	Excise Tax Advisory (ETA) _____ identify by number
_____	Numerical listing and titles of ETAs
_____	Special Notice _____ identify by number and title
_____	Tax Topics article reprint _____ please include code, issue and article
_____	WAC (Rule) _____ identify by number
_____	Washington Tax Facts _____ identify by name
<b>PLEASE SEND PUBLICATION(S) TO:</b>	
Contact Person: _____	
Business Name: _____	
Street Address: _____	
City, State, Zip: _____	

# Department of Revenue

**Telephone Information Center**  
**1-800-647-7706**

## FIELD OFFICE LOCATIONS



<http://dor.wa.gov>

*To inquire about the availability of this publication in an alternate format for the visually impaired or a language other than English, please call (360) 753-3217. Teletype (TTY) users, please call 1-800-451-7985*